

**AGENDA ITEM 4**  
**AUDIT RESOLUTION STATUS - REAL ESTATE AUDIT FINDINGS**  
**(CURRENT YEAR REPORTS WITH CURRENT YEAR UPDATES)**  
**AS OF JUNE 30, 2008**

Partner/Property	Auditor's Finding and Recommendation	Auditee Response and Status per Investment Office	Finding Status / Auditor Comment
<b>SHP Senior Housing Fund, LLC</b> <b>General Partner Level</b> <b>(Oct 2007)</b>	<b>1. (I) Preliminary Procedures: Accounting Manual</b> - The Auditors noted that management does not maintain an accounting manual.  The Auditors recommend that management draft an accounting manual documenting policies, procedures and responsibilities of key positions within the Fund.	<b>1. (I) SHP Asset Management response:</b> Management indicated that they will implement this recommendation.  <b>Response from Investment Office:</b> SHP is still in the process of creating the accounting manual. This manual is projected to take nine months.  SHP to provide draft on July 15, 2008.	<b>1. (I) IN PROGRESS:</b>  The Auditor concurs with management's corrective action plan.
<b>SHP Senior Living Services, LLC</b> <b>Property Management Level</b> <b>(Oct 2007)</b>	<b>3. (III) Internal Controls: Accounting Manual</b> - The Auditors noted that property management does not maintain an accounting manual.  The Auditors recommend that property management draft an accounting manual documenting the policies, procedures and responsibilities of key positions at the property.	<b>3. (III) SHP Asset Management response:</b> Management indicated that Senior Living Services, LLC ("SLS") will implement this recommendation.  <b>Response from Investment Office:</b> SHP is still in the process of creating the accounting manual. This manual is projected to take nine months.  SHP to provide draft on July 15, 2008.	<b>3. (III) IN PROGRESS:</b>  The Auditor concurs with management's corrective action plan.

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<b>SHP Senior Living Services, LLC</b> <b>Property Management Level</b> <b>(Oct 2007)</b>	<b>4. (IV) Accounting and Financial Procedures: Bank Reconciliation</b> - The Auditors noted 21 checks which had been outstanding in excess of 90 days totaling \$12,248. Property management's policy is to hold outstanding checks for 5 years.  The Auditors recommend that property management review its policies regarding outstanding checks. Outstanding checks should be reissued or reversed every six months.	<b>4. (IV) SHP Asset Management response:</b> Effective immediately, management will void any check that has been outstanding for more than 6 months. Management will contact the payee to determine if the check should be reissued or reversed. If the payee cannot be contacted, the check amount will be recorded in an escheatment account and remitted to the State of Florida in accordance with the State regulations.  <b>Response from Investment Office:</b> SHP is still in the process of creating the accounting manual. This manual is projected to take nine months.  SHP to provide draft on July 15, 2008	<b>4. (IV) IN PROGRESS:</b>  The Auditor concurs with management's corrective action plan.
<b>SHP Senior Living Services, LLC</b> <b>Property Management Level</b> <b>(Oct 2007)</b>	<b>5. (VI) Operations and Maintenance: Third-Party Service Contracts</b> - The Auditors noted deficiencies with regard to third-party contractor's certificates of insurance and service contracts.  The Auditors recommend that property management remedy the deficiencies as noted in the audit report.	<b>5. (VI) SHP Asset Management response:</b> Management agreed with the Auditors' recommendation and will remedy the deficiencies.  <b>Response from Investment Office:</b> SHP is still in the process of creating the accounting manual. This manual is projected to take nine months.  SHP to provide draft on July 15, 2008.	<b>5. (VI) IN PROGRESS:</b>  The Auditor concurs with management's corrective action plan.

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<b>Hampshire Partners</b>  <b>General Partner Level</b>  <b>(Feb 2008)</b>	<p><b>1. (V.A) Asset Management: Documentation of Selection of Leasing Agents</b> – The Auditors noted that the practice for selecting leasing agents appears reasonable comparable to industry practices. However, Hampshire does not retain formal documentation of the selection criteria used to support the selections made.</p> <p>The Auditors recommend that management document their selection process of their leasing agent and retain this information in their files.</p>	<p><b>1. (V.A) Hampshire Partners response:</b> Per the suggestion of Mayer Hoffman, on a go forward basis, subsequent to the prospective broker interviews there will be a memo to file listing the various merits as to the rationale and selection of the chosen leasing team. This memo will be included in the leasing agreement file.</p> <p><b>Response from Investment Office:</b> Hampshire has implemented Auditor's recommendation.</p>	<p><b>1. (V.A) COMPLETE:</b></p> <p>The Auditors concur with management's corrective action.</p>

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<p><b>The Hampshire Companies</b></p> <p><b>General Partner Level</b></p> <p><b>(Feb 2008)</b></p>	<p><b>2. (V.B) Accounting and Financial Procedures: Property Management Fee</b>  – The Auditors noted that pursuant to Schedule "F" of the Property Management Agreement, Property Management Fees were to be paid based on "monthly gross revenues". However, "monthly gross revenues" is not defined in the standard Property Management Agreement.</p> <p>The Auditors recommend that the Agreement be revised to specifically define the revenue line items to be included in "gross monthly revenues" for the calculation of the property management fee. They further recommend that the Agreement's definition of Monthly Gross Revenues specifically identify exclusions such as: security deposits, real estate tax refunds, proceeds from casualty losses, condemnation or insurance proceeds, awards or settlements of any legal proceedings, etc.</p>	<p><b>2. (IV.B) The Hampshire Companies response:</b> The system is set up such that only the correct income charge codes are included in the management fee calculation. Further, the budget is reviewed monthly and subject to variance comment and analysis. We believe these compensating factors help to provide controls that the fees are calculated in accord with the expectations. Further the document is a fairly standard Property Management document. We will consider a change to our standard document.</p> <p><b>Response from Investment Office:</b>  Hampshire has implemented Auditors recommendation</p>	<p><b>2. (V.B) COMPLETE:</b></p> <p>The Auditors concur with management's corrective action.</p>

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<p><b>The Hampshire Companies</b></p> <p><b>18-01 Pollitt</b></p> <p><b>Property Level</b></p> <p><b>(Feb 2008)</b></p>	<p><b>3. (IV.A-C) Accounting and Financial Procedures: Disbursement Testing –</b>  The Auditors noted three payments which are considered the responsibility of property management pursuant to Section 3.2 of the Agreement. (A) A disbursement to the property manager totaling \$1,856.45 for the reimbursement of his office furniture was allocated to all properties he manages based on their square feet. \$575.75 was allocated to 18-01 Pollitt. (B) A \$350 disbursement charged to the property related to an annual IT Support &amp; Maintenance Fee. (C) A charge of \$72.77 related to the purchase of a printer cable.</p> <p>The Auditors recommend that property management reimburse the property for the non-allowable expenses listed above. They further recommend property management refrain from charging overhead costs to the property.</p>	<p><b>3. (IV.A-C) The Hampshire Companies response:</b> We have ceased charging such expenses to the Fund.</p> <p><b>Response from Investment Office:</b>  Hampshire to confirm reimbursement.</p>	<p><b>3. (IV.A-C) IN PROGRESS:</b></p> <p>The Auditors concur with property management's corrective action plan. They continue to recommend that property management reimburse the property for the non-allowable expenses listed.</p>

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<b>The Hampshire Companies</b>  <b>15-01 Pollitt</b>  <b>Property Level</b>  <b>(Feb 2008)</b>	<p><b>4. (V.A) Leasing and Tenant Relations: Lease File Testing</b> – The Auditors noted that property management did not provide evidence of tenant background information, credit history, tenant insurance, and lease proposal analysis for a tenant.</p> <p>The Auditors recommend that property management obtain the missing documentation for inclusion in the lease file.</p>	<p><b>4. (V.A) The Hampshire Companies response:</b> We will consider a change to our standard document.</p> <p><b>Response from Investment Office:</b> Hampshire has implemented Auditors recommendation.</p>	<p><b>4. (V.A) COMPLETE:</b></p> <p>The Auditors concur with management's corrective action.</p>
<b>The Hampshire Companies</b>  <b>18-01 Pollitt</b>  <b>Property Level</b>  <b>(Feb 2008)</b>	<p><b>5. (V.B) Leasing and Tenant Relations: Lease Commissions</b> – The Auditors noted that two separate leasing agents were paid a commission on the same tenant lease. The combination of these payments totals 7.50% commission, which exceeds the allowable commission of 5% per the Master Leasing Agreement for this property. This results in an overpayment of \$40,062.50.</p> <p>The Auditors recommend that property management reimburse the property for the overpayment of the leasing commission. They further recommend that on a go-forward basis, any deviation from the Master Leasing Agreement should be documented in writing and specifically approved by the Owner.</p>	<p><b>5. (V.B) The Hampshire Companies response:</b> Attached is the brokerage agreement for the Agent which reflects a commission rate of 5%. The Master Leasing Agreement with the Co-Broker is mainly for Industrial buildings, however this building is office where a total of 7.5% is reasonable.</p> <p><b>Response from Investment Office:</b> Hampshire has implemented Auditor's recommendation in utilizing a separate MLA for office product. Auditor's recommendation for reimbursement is not consistent with industry practice. Office transaction costs are generally higher as stated.</p>	<p><b>5. (V.B) COMPLETE:</b></p> <p>On a go forward basis, the Auditor recommends that property management document a memo to the tenant lease file explaining the business decision to pay leasing commissions that deviate from the existing terms of the Leasing Agreement. Such documentation should be approved and signed by the Advisor representing the Owner.</p>

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<b>The Hampshire Companies</b>  <b>15-01 &amp; 18-01 Pollitt</b>  <b>Property Level</b>  <b>(Feb 2008)</b>	<b>6. (VI.A) Operations and Maintenance: Third Party Service Contracts</b> – The Auditors noted that the property manager did not have evidence of competitive bidding for the landscaping contract. In addition, only two bids were obtained for the snow plowing service contract.  The Auditors recommend that property management obtain three competitive bids on all their service contracts in accordance with the terms of the Agreement and retain such evidence in their contract files.	<b>6. (VI.A) The Hampshire Companies response:</b> It is our process, and we make every attempt, to obtain 3 bids, however there are instances when 3 contractors do not exist in the market. We will continue to make every attempt to obtain the required number of bids and will document the circumstances where this was not possible.  <b>Response from Investment Office:</b> Hampshire has implemented Auditors recommendation. Every attempt is made to obtain 3 bids.	<b>6. (VI.A) COMPLETE:</b>  The Auditors concur with management's corrective action.
<b>The Hampshire Companies</b>  <b>15-01 &amp; 18-01 Pollitt</b>  <b>Property Level</b>  <b>(Feb 2008)</b>	<b>7. (VI.B.1-3) Operations and Maintenance: Property Walk-Through</b> – The Auditors noted three items during the walk-through of the property: (1) Concrete stairs were damaged and crumbling at the top of the stairwell. (2) The protective post surrounding the water shut-off valve was damaged and bent. (3) One of the doors to the boiler room had a broken window.  The Auditors recommend that property management consider making the necessary repairs to the property.	<b>7. (VI.B.1-3) The Hampshire Companies response:</b> Repairs budgeted for, and corrective action to be taken, in 1Q 2008.  <b>Response from Investment Office:</b> Hampshire has implemented Auditors recommendation. Physical issues have been corrected. Reimbursement amount immaterial.	<b>7. (VI.B.1-3) COMPLETE:</b>  The Auditors concur with management's corrective action.

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<b>The Hampshire Companies</b>  <b>1000 Lafayette</b>  <b>Property Level</b>  <b>(Feb 2008)</b>	<p><b>8. (IV.A-C) Accounting and Financial Procedures: Disbursement Testing</b> – The Auditors noted three payments which are considered the responsibility of property management pursuant to Section 3.2 of the Agreement. (A) A disbursement for the property manager's office furniture was allocated to all properties managed in Connecticut based on their square feet. \$229.02 was allocated to 1000 Lafayette. (B) A \$350 disbursement charged to the property related to an annual IT Support &amp; Maintenance Fee. (C) We noted a charge of \$29.64 related to the purchase of a printer cartridge.</p> <p>We recommend that property management reimburse the property for the non-allowable expenses listed above. We further recommend that property management refrain from charging overhead costs to the property.</p>	<p><b>8. (IV.A-C) The Hampshire Companies response:</b> We have ceased charging such expenses to the Fund.</p> <p><b>Response from Investment Office:</b> Hampshire has implemented Auditors recommendation. Physical issues have been corrected. Reimbursement amount immaterial.</p>	<p><b>8. (IV.A-C) COMPLETE:</b></p> <p>The Auditors concur with management's corrective action.</p>
<b>The Hampshire Companies</b>  <b>1000 Lafayette</b>  <b>Property Level</b>  <b>(Feb 2008)</b>	<p><b>9. (V) Leasing and Tenant Relations: Lease File Testing</b> – The Auditors noted that property management did not provide evidence of tenant background information, credit history, tenant insurance, and lease proposal analysis.</p> <p>The Auditors recommend that property management obtain the missing documentation for inclusion in the lease files.</p>	<p><b>9. (V) The Hampshire Companies response:</b> Call Log requesting Insurance certificate for the tenant attached. We will continue to follow up on this. Regarding this tenant, we attempted to obtain an estoppel at closing. Tenant was not cooperative. The tenant has since been evicted for other reasons.</p> <p><b>Response from Investment Office:</b> Tenant has been evicted for other non-related issues.</p>	<p><b>9. (V) COMPLETE:</b></p> <p>The Auditors concur with management's corrective action.</p>

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<b>The Hampshire Companies</b>  <b>1000 Lafayette</b>  <b>Property Level</b>  <b>(Feb 2008)</b>	<b>10. (VI) Operations and Maintenance: Third-Party Service Contracts -</b> Insurance certificates were not provided to the Auditors on both the elevator and security service vendors selected for review.  The Auditors recommend that property management obtain current insurance certificates for all third-party service contractors with the coverage required per the terms of the respective service contracts.	<b>10. (VI) The Hampshire Companies response:</b> Vendor has been replaced by another elevator vendor and is no longer a vendor for this property. We have made numerous attempts to obtain but have been unsuccessful thus far. We will continue to request these.  <b>Response from Investment Office:</b> Hampshire has implemented Auditors recommendation and obtained insurance certificates.	<b>10. (VI) COMPLETE:</b>  The Auditors concur with management's corrective action.

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<p><b>The Hampshire Companies</b></p> <p><b>550 Research</b></p> <p><b>Property Level</b></p> <p><b>(Feb 2008)</b></p>	<p><b>11. (IV.A-C) Accounting and Financial Procedures: Disbursement Testing –</b>  The Auditors noted three payments which are considered the responsibility of property management pursuant to Section 3.2 of the Agreement. (A) A disbursement for the property manager's office furniture was allocated to all properties managed in Connecticut based on their square feet. \$370.59 was allocated to 550 Research. (B) We noted a \$350 disbursement charged to the property related to an annual IT Support &amp; Maintenance Fee. (C) We noted a charge of \$47.96 related to the purchase of a printer cartridge.</p> <p>We recommend that property management reimburse the property for the non-allowable expenses listed above. We further recommend that property management refrain from charging overhead costs to the property.</p>	<p><b>11. (IV.A-C) The Hampshire Companies response:</b>  We have ceased charging such expenses to the Fund.</p> <p><b>Response from Investment Office:</b>  Hampshire has implemented Auditor's recommendation and has stopped charging overhead costs to the property. Reimburse amount immaterial.</p>	<p><b>11. (IV.A-C) COMPLETE:</b></p> <p>The Auditors concur with management's corrective action.</p>

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<p><b>The Hampshire Companies</b></p> <p><b>550 Research</b></p> <p><b>Property Level</b></p> <p><b>(Feb 2008)</b></p>	<p><b>12. (VI.A.1-2) Operations and Maintenance: Third-Party Contractor Insurance</b> – The Auditors noted two insurance discrepancies from Article 2.7 (D)(iv) of the Agreement, which requires limits not less than \$5,000,000 for both commercial general liability and automobile liability and \$1,000,000 for employer's liability, as follows: (1) The current insurance certificate for one vendor supported coverage for \$1,000,000 per occurrence for commercial general liability insurance, \$1,000,000 for automobile liability insurance, and \$500,000 for employer's liability insurance. (2) The current insurance certificate for another vendor supported coverage of \$2,000,000 for automobile liability insurance. We recommend that property management obtain certificates of insurance from the vendors containing insurance coverage required by the terms of the Agreement.</p>	<p><b>12. (VI.A.1-2) The Hampshire Companies response:</b>  We have notified the vendor of the requirement and will obtain the new Insurance Certificate.</p> <p><b>Response from Investment Office:</b>  As stated, Hampshire continues its effort to obtain the Insurance Certificate. Will advise CalPERS upon receipt.</p>	<p><b>12. (VI.A.1-2) IN PROGRESS:</b></p> <p>The Auditors concur with property management's corrective action plan.</p>

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<b>The Hampshire Companies</b>  <b>550 Research</b>  <b>Property Level</b>  <b>(Feb 2008)</b>	<b>13. (VI.B) Operations and Maintenance: Property Walk-Through</b> – The Auditors noted a fire hydrant in the parking lot between loading docks that was exposed without protective posts. Additionally, they noted several instances in which there was car damage in the fence surrounding the property needing minor repairs. The Auditors recommend that property management allocate budgeted funds for the fire hydrant protective posts and repair of the property fence.	<b>13. (VI.B) The Hampshire Companies response:</b> Repairs budgeted for, and corrective action to be taken, in 1Q 2008.  <b>Response from Investment Office:</b> Hampshire has implemented Auditors recommendation. Repairs completed in 1Q 2008.	<b>13. (VI.B) COMPLETE:</b>  The Auditors concur with management's corrective action.
<b>CalSmart Growth Fund IV - Pacific Coast Capital Partners</b>  <b>General Partner Level</b>  <b>(Apr 2008)</b>	<b>1. (III) Portfolio Management: Campaign Contribution</b> – The Auditors noted a \$3,600 campaign contribution paid to the West Sacramento Mayor's Campaign by the PCCP CSGF University Park Land Association, LLC. Although this type of expenditure is not specifically addressed in the Agreement, it is generally considered an operating cost of the General Partner.  In the absence of an amendment to Section 8.1 of the Agreement, the Auditors recommend that the campaign contribution be reclassified as an operating expense of the General Partner.	<b>1. (III) Pacific Coast Capital Partners response:</b> University Park is a land entitlement project and we were requested to make a political contribution to the Mayor's campaign by our operating partner. Political contributions are customary business expenditures for investments that require land entitlement.  <b>Response from Investment Office:</b> The General Partner has reimbursed the fund for the \$3,600 campaign contribution. The Investment Office considers this resolved.	<b>1. (III) COMPLETE:</b>  The Auditors concur with management's corrective action.

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<p><b>CalSmart Growth Fund IV - Pacific Coast Capital Partners – GP</b></p> <p><b>Stoltz Management of Delaware - San Carlos Village</b></p> <p><b>Property Level</b></p> <p><b>(Apr 2008)</b></p>	<p><b>2. (II.A) Company Background: Property Manager Insurance</b> - The insurance certificate provided did not show evidence of the following required insurance coverage per section 4 of the management agreement: (1) Workers' Compensation - Statutory Limits; (2) Employer's Liability - \$500,000 each accident; (3) Errors and Omissions - \$2 million each occurrence and aggregate; (4) Fidelity Bond - \$4 million.</p> <p>The Auditors recommend that PCCP and their Sponsor ensure that property management carries the required insurance coverage in accordance with their management agreement. Copies of the revised insurance certificates should be provided to PCCP and their Sponsor for documentation of property management's compliance.</p>	<p><b>2. (II.A) Pacific Coast Capital Partners response:</b> Attached is the revised Certificate of Insurance reflecting the necessary coverage.</p> <p><b>Response from Investment Office:</b> Pacific Coast Capital Partners has provided a Certificate of Insurance showing Worker's Compensation, Employer's Liability, and Fidelity Bond coverage. The Investment Office considers this resolved.</p>	<p><b>2. (II.A) COMPLETE:</b></p> <p>The Auditors concur with management's corrective action.</p>

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<p><b>CalSmart Growth Fund IV - Pacific Coast Capital Partners – GP</b></p> <p><b>LPC West - Summit Business Center</b></p> <p><b>Property Level</b></p> <p><b>(Apr 2008)</b></p>	<p><b>3. (II.B) Company Background: Property Manager Insurance</b> - The insurance certificate provided did not show evidence of the following required insurance coverage per section 12.2 of the management agreement: (1) Workers' Compensation - Statutory Limits; (2) Commercial General Liability - \$10 million personal injury and aggregate.</p> <p>The Auditors recommend that PCCP and their Sponsor ensure that property management carries the required insurance coverage in accordance with their management agreement. Copies of the revised insurance certificates should be provided to PCCP and their Sponsor for documentation of property management's compliance.</p>	<p><b>3. (II.B) Pacific Coast Capital Partners response:</b> Attached is the revised Certificate of Insurance reflecting the necessary coverage.</p>	<p><b>3. (II.B) COMPLETE:</b></p> <p>The Auditors concur with management's corrective action.</p>

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<p><b>CalSmart Growth Fund IV - Pacific Coast Capital Partners – GP</b></p> <p><b>MacBeth Apartment Systems -Las Palmas Apartments</b></p> <p><b>Property Level</b></p> <p><b>(Apr 2008)</b></p>	<p><b>4. (II.C) Company Background: Property Manager Insurance</b> - The insurance certificate provided did not show evidence of the following required insurance coverage per section 4 of the management agreement: (1) Workers' Compensation - Statutory Limits; (2) Employer's Liability - \$1 million each accident; (3) Blanket Crime - \$250,000; (4) Errors and Omissions - \$1 million</p> <p>The Auditors recommend that Pacific Coast Capital Partners and their Sponsor ensure that property management carries the required insurance coverage in accordance with their management agreement. Copies of the revised insurance certificates should be provided to Pacific Coast Capital Partners and their Sponsor for documentation of property management's compliance.</p>	<p><b>4. (II.C) Pacific Coast Capital Partners response:</b> Attached is the revised Certificate of Insurance reflecting the necessary coverage.</p>	<p><b>4. (II.C) COMPLETE:</b></p> <p>The Auditors concur with management's corrective action.</p>

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<p><b>CalSmart Growth Fund IV - Pacific Coast Capital Partners – GP</b></p> <p><b>Stoltz Management of Delaware - San Carlos Village</b></p> <p><b>Property Level</b></p> <p><b>(Apr 2008)</b></p>	<p><b>5. (V.A) Operations Maintenance: Property Walk-Through</b> - During the Auditor walk-through of the property, the following was noted: (1) The landscaping behind the retail center was overgrown and had trash lying throughout the brush; (2) Several tenants are leaving trash and broken store displays outside the rear doors to the buildings; (3) Property management does not monitor the tenants' disposal of hazardous materials.</p> <p>The Auditors recommend that Pacific Coast Capital Partners and their Sponsor follow up with property management to ensure that the maintenance items listed above are addressed.</p>	<p><b>5. (V.A) Pacific Coast Capital Partners response:</b> Pacific Coast Capital Partners to provide written notification to operating partner and property management company conveying issues noted during site visit and request that procedures are implemented to prevent future occurrence.</p> <p><b>Response From the Investment Office:</b> The Pacific Coast Capital Partners notified the operating partner via e-mail of these issues and also conducted a verbal discussion. The Investment Office considers this resolved.</p>	<p><b>5. (V.A) COMPLETE:</b></p> <p>The Auditors concur with management's corrective action.</p>
<p><b>CalSmart Growth Fund IV - Pacific Coast Capital Partners – GP</b></p> <p><b>MacBeth Apartment Systems - Las Palmas Apartments</b></p> <p><b>Property Level</b></p> <p><b>(Apr 2008)</b></p>	<p><b>6. (V.B) Operations Maintenance: Property Walk-Through</b> - During the Auditor walk-through of the property, the following was noted: (1) Property management disposes of florescent light bulbs and unused paint along with the regular waste; (2) Several tenants were using their balconies as storage for car tires.</p> <p>The Auditors recommend that Pacific Coast Capital Partners and their Sponsor follow up with property management to ensure that the maintenance items listed above are addressed.</p>	<p><b>6. (V.B) Pacific Coast Capital Partners response:</b> Pacific Coast Capital Partners to provide written notification to operating partner and property management company conveying issues noted during site visit and request that procedures are implemented to prevent future occurrence.</p> <p><b>Response From Investment Office:</b> The Pacific Coast Capital Partners notified the operating partner via e-mail of these issues and also conducted a verbal discussion. The Investment Office considers this resolved.</p>	<p><b>6. (V.B) COMPLETE:</b></p> <p>The Auditors concur with management's corrective action.</p>

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**AGENDA ITEM 4**  
**AUDIT RESOLUTION STATUS - REAL ESTATE AUDIT FINDINGS**  
**(CURRENT YEAR REPORTS WITH CURRENT YEAR UPDATES)**  
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Partner/Property	Auditor's Finding and Recommendation	Auditee Response and Status per Investment Office	Finding Status / Auditor Comment
<p><b>Avant Housing, LLC</b></p> <p><b>AGI-TMG Housing Partners I, LLC</b></p> <p><b>General Partner</b></p> <p><b>(May 2008)</b></p>	<p><b>1. (III.b.) Background Procedures:</b>  Auditors noted that Avant did not maintain written policies and procedures during our review of the internal controls.</p> <p>Auditors recommend Avant maintain written policies and procedures.</p>	<p><b>1. (III.b.) Avant Housing, LLC – Partners response:</b>  Avant now has documented its practices regarding acquisitions. Avant is in the process of documenting its HR policies, draw request procedures and accounting procedures.</p> <p><b>Response From Investment Office:</b>  Avant has completed the documentation of its acquisition procedures, HR policies, draw requests and accounting procedures. The Investment Office considers this finding resolved.</p>	<p><b>1.(III.b.) COMPLETE:</b></p> <p>The Auditors concur with management's corrective action.</p>

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<p><b>Avant Housing, LLC</b></p> <p><b>AGI-TMG Housing Partners I, LLC</b></p> <p><b>General Partner</b></p> <p><b>(May 2008)</b></p>	<p><b>2. (III.e.) Background Procedures:</b>  Auditors noted that Avant did not have the Asset Manager and Portfolio Manager positions in its organizational structure as required by the Agreement and as represented in the Due Diligence Report.</p> <p>Auditors recommend Avant include these positions in its organizational structure.</p>	<p><b>2. (III.e.) Avant Housing, LLC – Partners response:</b>  Avant is not required to have such positions, see Section 4 of the agreement.</p> <p><b>Response From Investment Office:</b>  The agreement states in Section 4.1.(b) "Avant shall devote to the Company such time and personnel as may be reasonably necessary for the proper performance of the Manager's obligations in accordance with this Agreement. Avant shall require [two named persons] and another individual to be designated by Avant (the "Dedicated Team") to dedicate as much of their time as may be reasonably necessary to the management of the Company in order to perform the obligations of the Manager in accordance with this Agreement..." [another named person] is the required other individual and is functioning as the Portfolio Manager. Asset Management duties are being shared by the management team. The Investment Office considers this finding resolved.</p>	<p><b>2. (III.e.) COMPLETE:</b></p> <p>The Auditors concur with management's response.</p>

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<p><b>Avant Housing, LLC</b></p> <p><b>AGI-TMG Housing Partners I, LLC</b></p> <p><b>General Partner</b></p> <p><b>(May 2008)</b></p>	<p><b>3. (IV.e) Portfolio Management:</b>  Auditors noted that Avant used Manager's fee earned to pay for \$10,000 of lobbying costs.</p> <p>Auditors recommend that CalPERS be refunded the \$10,000 and that Avant properly screen its accounting records for costs not permitted under the Agreement.</p>	<p><b>3. (IV.e) Avant Housing, LLC – Partners response:</b>  The subject contract inadvertently referred to one of the potential activities as lobbying. The individual was employed to provide introductions to individuals or entities as landowners in a public relations capacity. He was never asked, nor did he perform any activities "for the purpose of influencing legislative or administrative action" pursuant to Government Code Section 82039 and the Fair Political Practices Act. Avant did not have any projects which could have required such activities during the tenure of his contract.</p> <p><b>Response From Investment Office:</b>  It should be noted that the \$10,000 payment was not made by Avant Housing, LLC., so no refund would be due to CalPERS as a member of the LLC. It is further noted that the use of a consultant "to provide introductions to individuals or entities as landowners in a public relations capacity" would not be uncommon in urban investing due to the number of active and engaged stakeholders. Avant has represented that the individual did not perform lobbying activities. The contract has since been terminated. The Investment Office considers this item resolved.</p>	<p><b>3. (IV.e) COMPLETE:</b></p> <p>The Auditors concur with management's response.</p>

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<b>Avant Housing, LLC</b>  <b>AGI-TMG Housing Partners I, LLC</b>  <b>General Partner</b>  <b>(May 2008)</b>	<b>4. (IV.j) Portfolio Management:</b> Auditors noted that Avant did not sign showing approval of its operating and capital budgets.  Auditors recommend Avant sign showing approval of its operating and capital budgets.	<b>4. (IV.j) Avant Housing, LLC – Partners response:</b> Budgets are now signed by project managers and the President.  <b>Response From Investment Office:</b> The Investment Office considers this finding resolved	<b>4. (IV.j) COMPLETE:</b>  The Auditors concur with management's corrective action.
<b>Avant Housing, LLC</b>  <b>AGI-TMG Housing Partners I, LLC</b>  <b>General Partner</b>  <b>(May 2008)</b>	<b>5. (V.a) Acquisitions:</b> Auditors noted that Avant did not maintain written policies and procedures for the acquisition process.  Auditors recommend Avant maintain written policies and procedures.	<b>5. (V.a) Avant Housing, LLC – Partners response:</b> Avant has now documented its acquisition procedures in writing.  <b>Response From Investment Office:</b> The Investment Office considers this finding resolved.	<b>5. (V.a) COMPLETE:</b>  The Auditors concur with management's corrective action.

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<b>Avant Housing, LLC</b>  <b>AGI-TMG Housing Partners I, LLC</b>  <b>General Partner</b>  <b>(May 2008)</b>	<b>6. (VI.a) Asset Management:</b> Auditors noted that Avant did not maintain written policies and procedures for the asset management process.  Auditors recommend Avant maintain written policies and procedures.	<b>6. (VI.a) Avant Housing, LLC – Partners response:</b> Avant contracts out the Property Management of its only property to TMG Partners.  <b>Response From Investment Office:</b> The Asset Management is the responsibility of Avant. The Investment Office has clarified this distinction with Avant. To address the specific finding, the Investment Office discussed with Avant their current Asset Management responsibilities. Due to the life-cycle of the fund (with only one asset under management which will be repositioned and all other potential project under option) the current Asset Management focus is limited to gaining entitlements. Avant has developed a rigorous process including weekly meetings and a website that communicates to team members the status of the entitlement process. The Investment Office considers this finding resolved.	<b>6. (VI.a) COMPLETE:</b>  The Auditors concur with management's corrective action.
<b>Avant Housing, LLC</b>  <b>AGI-TMG Housing Partners I, LLC</b>  <b>General Partner</b>  <b>(May 2008)</b>	<b>7. (VI.d) Asset Management:</b> Auditors noted that the appraisal for the 260 Fifth Street property was dated after the purchase date.  Auditors recommend Avant have policies and procedures in place to ensure that appraisals are completed prior to purchase of properties.	<b>7. (VI.d) Avant Housing, LLC – Partners response:</b> Our agreement with CalPERS does not require the receipt of an appraisal prior to closing on land acquisitions. Pursuant to Section 4.2 viii, Avant conducted in depth analysis of the market and due diligence on the transaction prior to closing.  <b>Response From Investment Office:</b> It is within the manager's discretion to determine whether an appraisal should be ordered as part of its due diligence review. The appraisal was used in the financing of the project. The Investment Office considers this finding resolved.	<b>7. (VI.d) COMPLETE:</b>  The Auditors concur with management's response.

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<p><b>Avant Housing, LLC</b></p> <p><b>AGI-TMG Housing Partners I, LLC</b></p> <p><b>TMG Partners – Property Managers</b></p> <p><b>(May 2008)</b></p>	<p><b>8. (III) Internal Control Procedures:</b>  Auditors noted that TMG Partners did not maintain written policies and procedures for the property management overall environment and accounting system controls. Adequate controls, sound policies, and the effective implementation of prescribed policies and procedures contribute the reliance that can be placed on TMG Partners' cost representations. The policies and procedures help ensure that management directives are carried out.</p> <p>Auditors recommend TMG Partners maintain written policies and procedures that adequately address assignment of responsibility and delegation of authority to deal with organizational and departmental goals and objectives, regulatory requirements, and information systems and authorizations for changes to these systems.</p>	<p><b>8. (III) Avant Housing, LLC – Partners response:</b>  TMG Partners now has provided Avant with its detailed written procedures for property management.</p> <p><b>Response From Investment Office:</b>  The Investment Office considers this finding resolved.</p>	<p><b>8. (III) COMPLETE:</b></p> <p>The Auditors concur with management's corrective action.</p>

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<b>Avant Housing, LLC</b>  <b>AGI-TMG Housing Partners I, LLC</b>  <b>TMG Partners – Property Managers</b>  <b>(May 2008)</b>	<b>9. (VI) Operations and Maintenance:</b> During a night time visit of the property, Auditors noted there were little to no lighting around the exterior of the building.  Auditors recommend TMG Partners maintain adequate lighting at all times around the exterior of the building.	<b>9. (VI) Avant Housing, LLC – Partners response:</b> Lighting improvements are in the process of being acquired and installed.  <b>Response From Investment Office:</b> The lighting improvements have been installed. The Investment Office considers this finding resolved.	<b>9. (VI) COMPLETE:</b>  The Auditors concur with management's corrective action.

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